



# STATE OF IOWA

TERRY BRANSTAD, GOVERNOR  
KIM REYNOLDS, LT. GOVERNOR

DEPARTMENT OF EDUCATION  
BRAD A. BUCK, DIRECTOR

DATE: October 25, 2013

TO: Authorized Representative/Food Service Director  
School Meals Program

FROM: Patti Harding, Administrative Consultant  
Bureau of Nutrition and Health Services

SUBJECT: Revenue from Nonprogram Foods

Section 206 of Healthy Hunger Free Kids Act of 2010 **requires** SFAs to annually compare food costs and revenue generated specifically food costs and revenues of nonprogram items as a percent of the total food costs and revenue. If the SFA is not separately gathering information on nonprogram foods to complete the USDA Nonprogram Revenue Calculator the SFA may calculate the “program food cost” to get the “nonprogram food cost” as explained in Q. 10–Option 2.

**Attached is the USDA Nonprogram Revenue Calculator that must be completed and maintained on file.** The USDA Nonprogram Food Revenue Calculator will be reviewed as part of the new Administrative Review process. Data needed to complete the tool includes:

- **Cost of Reimbursable Meal Food (Program Food Cost)** - the amount paid for food purchased to be a part of a reimbursable meal.
- **Cost of Nonprogram Food** - the amount paid for food sold in a participating school other than a reimbursable meal and is purchased using funds from the school food service account of the school. This is a broad definition and includes catering items, special event foods, contract meals, beverages, a la carte foods, and any extra reimbursable foods that are sold outside of a meal such as an extra slice of pizza or second carton of milk.
- **Total Food Cost** refers to the total amount paid for all food and beverages for both reimbursable meals and nonprogram food purchased with the school food service account.
- **Total Nonprogram Food Revenue** refers to all funds accumulated to the school food service account associated with the sale of nonprogram foods.
- **Total Revenue** refers to all funds accumulated to the school food service account.

## Revenue from Nonprogram Foods

### Q1. What is the purpose of the revenue from nonprogram foods provisions?

To ensure that revenues from the sales of nonprogram foods generate at least the same proportion of SFA revenues as they contribute to SFA food costs.

Grimes State Office Building - 400 E 14th St - Des Moines IA 50319-0146

PHONE (515) 281-5294 FAX (515) 242-5988

[www.educateiowa.gov](http://www.educateiowa.gov)

*Championing Excellence for all Iowa Students through Leadership and Service*

**Q2. What is considered a nonprogram food?**

For the purposes of this provision a nonprogram food is a food (including beverages) that is sold in a participating school other than a reimbursable meal and is purchased using funds from the school food service account of the school.

These include but are not limited to:

- A la carte items sold in competition with school meals;
- Adult meals;
- Items purchased for fund raisers, vending machines, school stores, etc.; and
- Items purchased for catering and vended meals.

**Q3. What is considered revenue?**

Revenue is all money that is provided to the nonprofit school food service account. This includes but is not limited to:

- Federal reimbursement;
- State or local funds, such as per meal subsidies and State revenue matching funds;
- Children's payments for reimbursable meals and a la carte sales;
- Payments for items purchased for fund raisers, vending machines, etc; and
- Income from catering, adult meals, vended meals, etc.

**Q4. How does a SFA determine the "cost to obtain" a nonprogram food?**

The cost to obtain a nonprogram food includes only the cost of the food. If a nonprogram food is made from scratch, the SFA would determine the price of ingredients to calculate the food cost. The SFA should not include labor or other costs in this calculation.

This same principle applies to calculating program food costs for the purpose of this provision.

**Q5. How does a SFA determine whether it is in compliance with the Revenue from Nonprogram Foods Sold in Schools provision?**

The SFA would determine its total food cost and the proportion of that total that is nonprogram food. The SFA would then calculate the share of total revenue generated from nonprogram food sales over the same period. If the second figure is at least as great as the first figure, then the SFA is generating sufficient revenue from nonprogram food sales.

The following example shows how this provision is applied:

An SFA has the following characteristics:

- Total Costs: \$1,000,000
- Total Food Costs: \$500,000
  - o Cost of food for reimbursable meals: \$450,000
  - o Cost of nonprogram food: \$50,000
- Total Revenue: \$1,000,000

Revenue Requirement:

- Minimum proportion of revenue required from the sale of nonprogram foods:  
 $\$50,000/\$500,000 = 10\%$
- Minimum dollar revenue required from the sale of nonprogram foods:  
 $10\% \times \$1,000,000 = \$100,000$

If this SFA earns \$100,000 in revenue from nonprogram food sales, they are in compliance.

**Q6. Can an SFA price some nonprogram foods lower than their actual cost?**

Yes, as long as the total revenue generated from all nonprogram food sales meets the proportional requirement described above

**Q7. What period of time should be included in the calculations?**

The SFA uses the revenue and costs for a school year to calculate revenue targets. For SY 2013-2014, the revenue and costs for SY 2012-2013 are used. In cases where the prior year is not reflective of the typical school year (e.g., a school opens in the middle of the school year or is closed for a portion of the year due to a disaster), the SFA could use their Fiscal Year, a representative month multiplied by the number of months in the school year or another method as approved by the State agency.

**Q8. How are SFAs to implement this requirement for SY 2013-2014?**

All SFAs must do the revenue calculations. If the proportion of revenue is equal to or greater than the proportion of the food costs, no additional action is needed. If not, the SFA must review the prices charged for nonprogram foods and make necessary adjustments. If there are extenuating circumstances which prevent immediate corrective action, such as an inability to obtain necessary School Board approvals, these factors should be discussed with the SA and an appropriate corrective action plan must be developed.

**Q9. How are SFAs to track nonprogram food sales and revenues?**

SFAs that do not already have systems in place to track nonprogram food sales and revenues should work with the business manager or staff responsible for the financial records to establish a process.

**Q10. How does an SFA determine the cost of program food (Cost of Reimbursable Meal Food) and nonprogram food costs?**

There are 2 options for tracking nonprogram foods.

Option1- Track the nonprogram items separately. SFAs that utilize a computerized point of service system may be able to code nonprogram items sold as a la carte or adults and track in this manner. The SFA will need to track all other nonprogram foods separately for catering, special event foods, contracted meals, beverages or any other use.

Option 2 - The SFA will calculate the “Program Food Cost” (Cost for Reimbursable Meal Food on the USDA Nonprogram Revenue Calculator<sup>^</sup>) using an average food cost per reimbursable student meal.

- **Step 1: Calculate Average Food Cost Per Meal**

The SFA will calculate the cost of food for 4-6 weeks (or representative sample) of reimbursable meals (breakfast/lunch/snacks in the Afterschool Care Snack Program/Fresh Fruit-Vegetable Program) served to determine the average food cost per meal.

- **Step 2: Total Number of Reimbursable Student Meals**

The SFA will identify the total number of reimbursable student meals (breakfast/lunch/snacks in the Afterschool Care Snack Program/Fresh Fruit-Vegetable Program) served from the monthly claim for reimbursement.

- **Step 3: Total Program Food Cost**

Multiply total number of reimbursable student meals served by the average food cost per meal (breakfast/lunch/snacks in the Afterschool Care Snack Program/Fresh Fruit-Vegetable Program) to get the “Program Food Cost/Cost of Reimbursable Meal Food”.

- **Step 4: Total Nonprogram Food Cost<sup>^</sup>**

Nonprogram food cost is determined by using the Total food cost minus Program food cost (Cost of Reimbursable Meal Food on USDA Nonprogram Revenue Calculator).

The above information will be used to complete the USDA Nonprogram Revenue Calculator.

The attached **Nonprogram Food Revenue and Cost Guide** is designed to show the financial information required to complete the USDA Nonprogram Revenue Calculator. The tool describes how to calculate the Program Food Cost (Cost for Reimbursable Meal Food) when not tracking separately by program food and nonprogram food at your school/district.

**Q11. What are some resources for SFAs as they work to implement section 206 and determine how to price nonprogram foods?**

SFAs may want to consult guidance from the National Food Service Management Institute (NFSMI) on nonprogram food pricing and school food service account management.

**NFSMI Financial Management Information:**

<http://www.nfsmi.org/documentlibraryfiles/PDF/20080225031916.pdf>

Please note that SFAs should ensure that they are in compliance with the requirements of section 206 when using any outside resource.

Please contact your consultant or Patti Harding at [Patti.Harding@iowa.gov](mailto:Patti.Harding@iowa.gov) or your area consultant for assistance.